

VALUE ENGINEERING

(a) *General*

The Contractor is encouraged to develop, prepare, and submit value engineering change proposals (VECP's) voluntarily. The Contractor shall share in any instant contract savings realized from accepted VECP's, in accordance with paragraph (f) below.

(b) *Definitions*

"Contractor's development and implementation costs," as used in this clause, means those costs the Contractor incurs on a VECP specifically in developing, testing, preparing, and submitting the VECP, as well as those costs the Contractor incurs to make the contractual changes required by ANL acceptance of a VECP.

"ANL costs," as used in this clause, means those ANL costs that result directly from developing and implementing the VECP, such as any net increases in the cost of testing, operations, maintenance, and logistic support. The term does not include the normal administrative costs of processing the VECP.

"Instant contract savings," as used in this clause, means the estimated reduction in Contractor cost of performance resulting from acceptance of the VECP, minus allowable Contractor's development and implementation costs, including subcontractors' development and implementation costs (see paragraph (g) below).

"Value engineering change proposal (VECP)" means a proposal that --

- (1) Requires a change to this, the instant contract, to implement; and
- (2) Results in reducing the contract price without impairing essential functions or characteristics; provided, that it does not involve a change --
 - (i) In deliverable end item quantities only; or
 - (ii) To the contract type only.

(c) *VECP preparation*

As a minimum, the Contractor shall include in each VECP the information described in subparagraphs (c)(1) through (6) below. If the proposed change is affected by contractually required configuration management or similar procedures, the instructions in those procedures relating to format, identification,

and priority assignment shall govern VECP preparation. The VECP shall include the following:

- (1) A description of the difference between the existing contract requirement and that proposed, the comparative advantages and disadvantages of each, a justification when an item's function or characteristics are being altered, and the effect of the change on the end item's performance.
- (2) A list and analysis of the contract requirements that must be changed if the VECP is accepted, including any suggested specification revisions.
- (3) A separate, detailed cost estimate for
 - (i) the affected portions of the existing contract requirement and
 - (ii) the VECP.

The cost reduction associated with the VECP shall take into account the Contractor's allowable development and implementation costs, including any amount attributable to subcontracts under paragraph (g) below.

- (4) A description and estimate of costs ANL may incur in implementing the VECP, such as test and evaluation and operating and support costs.
- (5) A statement of the time by which a contract modification accepting the VECP must be issued in order to achieve the maximum cost reduction, noting any effect on the contract completion time or delivery schedule.
- (6) Identification of any previous submissions of the VECP, including the dates submitted, contract numbers involved, and previous ANL actions, if known.

(d) *Submission*

The Contractor shall submit VECP's to the Project Manager or Technical/Administrative Representative, with a copy to the Laboratory Procurement Official as identified in the contract.

(e) *ANL action*

- (1) The Laboratory Procurement Official will notify the Contractor of the status of the VECP within 45 calendar days after its receipt in the ANL Procurement Department. If additional time is required, the Laboratory Procurement Official will notify the Contractor within the 45-day period and provide the reason for the delay and the expected date of the decision.

ANL will process VECP's expeditiously; however, it will not be liable for any delay in acting upon a VECP.

- (2) If the VECP is not accepted, the Laboratory Procurement Official will notify the Contractor in writing, explaining the reasons for rejection. The Contractor may withdraw any VECP, in whole or in part, at any time before it is accepted by ANL. The Laboratory Procurement Official may require that the Contractor provide written notification before undertaking significant expenditures for VECP effort.
- (3) Any VECP may be accepted, in whole or in part, by the Contract Specialist's award of a modification to this contract citing this clause. The Laboratory Procurement Official may accept the VECP, even though an agreement on price reduction has not been reached, by issuing the Contractor a notice to proceed with the change. Until a notice to proceed is issued or a contract modification applies a VECP to this contract, the Contractor shall perform in accordance with the existing contract. The decision to accept or reject all or part of any VECP is a unilateral decision made solely at the discretion of the Laboratory Procurement Official.

(f) *Sharing*

(1) *Rates*

ANL's share of savings is determined by subtracting ANL costs from instant contract savings and multiplying the result by –

- (i) 50 percent for fixed-price contracts.
- (ii) 50 percent for cost-reimbursement contracts.

(2) *Payment*

Payment of any share due the Contractor for use of a VECP on this contract shall be authorized by a modification to this contract to

- (i) Accept the VECP;
- (ii) Reduce the contract price by the amount of instant contract savings; and
- (iii) Provide the Contractor's share of savings by adding the amount calculated to the contract price.
- (iv) Reduction of any amount due to Contractor's share in accordance with subparagraph (i) below.

- (v) No payments will be made to contractor under this clause until the contract has been completed and all work accepted.

(g) *Subcontracts*

The Contractor shall include an appropriate value engineering clause in any subcontract of \$50,000 or more and may include one in subcontracts of lesser value. In computing any adjustment in this contract's price under paragraph (f) above, the Contractor's allowable development and implementation costs shall include any subcontractor's allowable development and implementation costs clearly resulting from a VECP accepted by ANL under this contract, but shall exclude any value engineering incentive payments to a subcontractor. The Contractor may choose any arrangement for subcontractor value engineering incentive payments; *provided*, that these payments shall not reduce ANL's share of the savings resulting from the VECP.

(h) *Data*

The Contractor may restrict ANL's right to use any part of a VECP or the supporting data by marking the following legend on the affected parts:

These data, furnished under this clause of this contract, shall not be disclosed outside ANL or duplicated, used, or disclosed, in whole or in part, for any purpose other than to evaluate a value engineering change proposal submitted under the clause. This restriction does not limit ANL's right to use information contained in these data if it has been obtained or is otherwise available from the Contractor or from another source without limitations.

If a VECP is accepted, the Contractor hereby grants ANL unlimited rights in the VECP and supporting data, except that, with respect to data qualifying and submitted as limited rights technical data, ANL shall have the rights specified in the contract modification implementing the VECP and shall appropriately mark the data. (The terms "unlimited rights" and "limited rights" are defined in Part 27 of the Federal Acquisition Regulation.)

(i) *Environment, Safety and Health (ES&H) Requirements*

The Laboratory expects its contractors to perform all work in a safe and environmentally responsible manner. Accordingly, payment of any amount to the Contractor, pursuant to subparagraph (f) above is expressly contingent upon the Contractor's performance of the work under this contract in a safe manner. In the event the Contractor has an OSHA recordable event(s) during the course of this contract, the amount to be shared with the Contractor noted in (f) above shall be reduced by the Laboratory in accordance with the following schedule:

One OSHA recordable event	25%
Two OSHA recordable events	50%
Three OSHA recordable events	75%
4 or more	no payment of shared savings

If the contractor submitted value engineering proposal is accepted by the Laboratory the Contractor shall furnish to the Laboratory Procurement Official a copy of its and its subcontractors Workers Compensation Summary Report detailing all submitted claims and the respective OSHA 300 log within 30 calendar days following each payment period until the end of the project.

(End of Clause)